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RSC THE REPUBLICAN STUDY COMMITTEE

H.R. 1116: TAILOR Act of 2017 (Rep. Tipton, R-CO)

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FLOOR SCHEDULE:

Expected to be considered March 14, 2018, under a closed rule.

The rule would consider as adopted an amendment that is meant to offset the cost of the bill.

The rule would also provide for consideration of H.R. 4263, the Regulation A+ Improvement Act of 2017, and H.R. 4545, the Financial Institutions Examination Fairness and Reform Act.

TOPLINE SUMMARY:

H.R. 1116 would require the federal financial regulatory agencies to tailor their regulations (including a lookback to regulations promulgated pursuant to Dodd-Frank) in a manner that limits the regulatory compliance impact, cost, liability risk, and other burdens, for the risk profile and business model of the institution or class of institutions involved.

COST:

The Congressional Budget Office (CBO) estimates that enacting "the legislation would increase the deficit by $80 million over the 2018-2027 period. That amount comprises an increase in direct spending of $56 million and a reduction in revenues of $24 million… CBO also estimates that reviewing rules issued by the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) would cost $3 million over the 2018- 2022 period; such spending would be subject to the availability of appropriated funds."

The rule considers as adopted an amendment that would reduce the limitation on the Federal Reserve Surplus Fund by $114,286,000 (from $7.5 billion to $7,385,714,000). Any amounts of the Surplus Fund that exceed the limit are required to be transferred to the General Fund of the Treasury. This amendment is meant to offset the cost of the bill. However, some conservatives may be concerned that transfers from the Federal Reserve Surplus Fund can be considered a budget gimmick. According to the Committee for a Responsible Federal Budget, this type of transfer "results in one-time savings on paper but no actual change in the amount of revenue the Treasury would receive over the long term." Section 5111 of the FY 2018 Budget Resolution prohibits the use of the Federal Reserve Surplus Fund from being counted as an offset in the House of Representatives.

CONSERVATIVE CONCERNS:

- **Expand the Size and Scope of the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.

- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

DETAILED SUMMARY AND ANALYSIS:

H.R. 1116 would require federal financial regulatory agencies (the Federal Deposit Insurance Commission (FDIC), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), the Consumer Financial Protection Bureau (CFPB), and the Federal Reserve) to:

1. "take into consideration the risk profile and business models of each type of institution or class of institutions subject to the regulatory action;
2. "determine the necessity, appropriateness, and impact of applying such regulatory action to such institutions or classes of institutions; and
3. "tailor such regulatory action in a manner that limits the regulatory compliance impact, cost, liability risk, and other burdens, as appropriate, for the risk profile and business model of the institution or class of institutions involved"

for each regulatory action occurring after enactment of the bill.

The bill would require the agencies to take into consideration:

1. "the impact that such regulatory action, both by itself and in conjunction with the aggregate effect of other regulations, has on the ability of the applicable institution or class of institutions to serve evolving and diverse customer needs;
2. "the potential impact of examination manuals, regulatory actions taken with respect to third party service providers, or other regulatory directives that may be in conflict or inconsistent with the tailoring of such regulatory action…. ; and
3. "the underlying policy objectives of the regulatory action and statutory scheme involved."

The bill would require each agency to review all regulations adopted in the seven years prior to the enactment of the bill and apply the requirements of the bill to those regulations. If the requirements would require a revision to the regulation, the agency would be required to revise the applicable regulation within three years.

The bill would require the agencies to disclose how it has applied the requirements of the bill to proposed rulemaking in the Federal Register.

The bill would require the agencies to report to Congress on the actions taken to comply with the bill and for the head of each agency to appear before the House Financial Services Committee and the Senate Banking Committee.

COMMITTEE ACTION:

H.R. 1116 was introduced on February 16, 2017, and referred to the House Financial Services Committee. The Committee marked up and reported the bill on October 12, 2017, by a 39 - 21 vote.

ADMINISTRATION POSITION:

No Statement of Administration Policy is available at this time.

CONSTITUTIONAL AUTHORITY:

"Congress has the power to enact this legislation pursuant to the following: Article I, Section 8, Clause 3: ``The Congress shall have power . . . To regulate commerce with foreign nations, and among the several states, and with the Indian tribes.''"

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